

Implementation of Kredit Sejahtera Program (Prokesra) in Enhancing the Capital Capacity of Micro, Small, and Medium Enterprises (MSMEs)

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Abstract. Limited access to capital remains a major challenge for Micro, Small, and Medium Enterprises (MSMEs) in East Java. To address this issue, the East Java Provincial Government introduced the Kredit Sejahtera (Prokesra) Program, which provides low-interest financing through an interest subsidy scheme. However, annual changes in the credit ceiling have affected program realization, including in Sidoarjo Regency, which ranked 14th in Prokesra loan distribution in 2024. This study aims to analyze the implementation of the Prokesra Program in enhancing MSME capital capacity in Sidoarjo Regency. A descriptive qualitative approach was employed using David C. Korten's implementation theory, focusing on the alignment between the program, implementing organizations, and beneficiaries. The findings indicate that Prokesra has generally met the financing needs of MSMEs by providing affordable credit with simplified procedures. The implementing organizations, namely the East Java Cooperative and SME Office and BPR Jatim, demonstrated adequate institutional capacity, clear role distribution, and effective coordination in program implementation. Furthermore, beneficiary selection has been largely consistent with established eligibility criteria, although several applicants remain ineligible due to poor credit records or existing bank loans. Overall, the Prokesra Program has been implemented effectively and has contributed to improving MSMEs' access to capital in Sidoarjo Regency, while broader outreach and more adaptive financing policies are needed to expand program coverage.

Keywords: Policy Implementation; Prokesra; MSMEs

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INTRODUCTION

MSMEs are the most important pillar of the Indonesian economy. MSME empowerment is a national priority as an agent of national economic growth. Based on information from the website of the Ministry of Finance of the Republic of Indonesia (<https://djpb.kemenkeu.go.id>) in 2023, one of the economic recovery programs for MSMEs is that the Government provides incentives to MSME players through various policies, such as loan interest subsidies, credit restructuring, working capital guarantees, and tax relief. The interest subsidy itself aims to strengthen the capital of MSMEs through programs The interest subsidy itself aims to strengthen the capital of MSMEs through programs such as People's Business Credit (KUR), Ultra Micro Financing (UMi), and revolving funds managed by the Ministry of KUKM's LPDB. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total available workforce and to raise up to 60.4% of total investment. (Wahab, 2024).

According to Mainake, (2022) through data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM), one of the main needs of MSMEs is access to credit to meet capital needs. However, even though MSMEs have a significant contribution, lending to this sector is still relatively low, which is only around 20%. This achievement still does not meet Bank Indonesia's target, which sets the Macroprudential Inclusive Financing Ratio (RPIM) at 30% by 2024. This provision is contained in Bank Indonesia Regulation (PBI) Number 23/13/PBI/2021, which applies to Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units. MSMEs are in dire need of access to bank credit to meet their capital needs, given their important role in supporting the country's economic growth.

The role of MSMEs in East Java is no less important to the regional economy. With various types of businesses, ranging from handicrafts, culinary, to fashion products, these MSMEs reflect the cultural wealth and creativity of the local community. The high entrepreneurial spirit among the people of East Java, supported by a supportive community, creates an ecosystem that is conducive to the development of MSMEs. (Anugerah & Nuraini, 2021)

East Java MSME Cooperative Office (2023) contribution of MSMEs in 2023 to East Java GRDP is quite fantastic at Rp 2,953.55 trillion. The positive growth of East Java MSMEs can be seen through the large contribution of gross value added to the Provincial GRDP. According to data obtained from the official website of the Office of Communication and Information of East Java Province (<https://kominfo.jatimprov.go.id>), East Java Province contributed 25.07 percent to the economy of Java Island, with an economic growth rate of 4.81 percent.

The next problem related to access to capital is a persistent obstacle faced by MSMEs (Haryanti, 2024). The development of MSME players in Indonesia is hampered due to limited access to financing. (Sholikin, 2024). From the MSME side, administrative management is still not done professionally, and many MSME players have not been able to complete legality or administrative documents, including financial reports or records. In addition, MSMEs' understanding of financial products or services, especially related to financing, is also still limited (Santoso, 2022).

MSMEs certainly cannot be separated from the problem of inability to meet financial obligations and limitations to increase capital (Panelewen et al., 2020) According to (Hartono & Hartomo, 2016) MSMEs still face crucial problems related to capital, including working capital and investment capital. This is due to the difficulty of credit application requirements so that they do not meet the eligibility requirements for bank credit. The Gross Added Value Calculation Report of

the East Java Diskop UKM in 2022 presents data that the difficulty of MSMEs. The most prominent problem for MSMEs is capitalization, with a percentage reaching 26.4%.

The East Java Provincial Government, through the Cooperative and SME Agency, has allocated a budget for interest subsidies under the Prokesra program, which is disbursed through the East Java SME Bank. Through this program, the initial interest rate of 12.25% has been reduced to 3%, with the difference of 9.25% covered by the provincial government as a subsidy. Prokesra is a program that collaborates with PT Bank Perkreditan Rakyat Jawa Timur (BPR Jatim). This program has a non-performing loan (NPL) rate of only 0.26%. This agreement was made to support economic transformation in East Java. The development of SMEs in Indonesia needs to be accompanied by improved access to capital sources. (Anggi Prastyono & Nasutra, 2024). Banking plays a crucial role in supporting SMEs facing capital challenges through loan disbursement. (Rudiyanto, 2022). Access to banking for credit facilities can open opportunities for SMEs to connect with funders or investors, thereby addressing issues related to capital needs (Sulistianingsih, Dewi, 2019)

The development of MSME credit shows a positive trend, with growth reaching Rp1,275.03 trillion or 16.75% (yoy). The NPL (Non-Performing Loan) rate also remains stable, with the latest position in April 2022 (Yolanda et al., 2024). The realization of Prokesra credit in 2022 amounted to Rp. 15,197,900,000, from a target of Rp. 80 billion or 18.99% to 1,792 SMEs. In December 2023, there were 11,889 SMEs, or 86.52% of SMEs. In 2024, the loan was disbursed to 5,131 SMEs. This number has significantly decreased from the previous year. This occurred due to a mismatch between the SMEs' preferences and the implementing authorities. In 2022, the maximum loan limit was set at IDR 10 million, increased to IDR 50 million in 2023. At that time, SMEs wanted the ceiling to increase beyond 50 million, but in 2024, the ceiling was reduced to 25 million. Despite being a relatively developed district, Sidoarjo has a lower number of borrowers compared to other districts, ranking 14th with 137 borrowers in 2024. In addition, according to the Diskop Jatim website, the amount of subsidies borne by the East Java Provincial Government is also a factor that needs to be considered, as by 2025, the amount needed to pay the bills for the disbursement of credit in 2024 is estimated at Rp15,000,000,000.00 (fifteen billion). Previous studies have extensively examined MSME financing and government-supported credit programs from various perspectives. Hartono and Hartomo (2016) emphasized that limited access to working and investment capital remains one of the primary constraints to MSME development. Panelewen et al. (2020) highlighted the relationship between capital availability and business profitability,

while Rudiyanto (2022) explained the strategic role of banking institutions in expanding MSMEs' access to formal financing. More recent studies by Santoso (2022), Sholikin (2024), and Anggi Prastyono and Nasutra (2024) further demonstrated that financing accessibility is influenced not only by institutional support but also by administrative readiness, financial literacy, and regulatory frameworks. Although these studies provide valuable insights into MSME financing, they predominantly focus on financing accessibility, banking performance, or capital-related constraints. Limited attention has been given to evaluating how subsidized credit programs are implemented at the local level, particularly by examining the interaction between policy design, implementing organizations, and beneficiaries.

This study addresses the existing research gap by examining the implementation of the Kredit Sejahtera (Prokesra) Program in Sidoarjo Regency through David C. Korten's implementation framework, which emphasizes the compatibility between the program, implementing organizations, and beneficiary groups. Unlike previous studies that mainly assess financing outcomes or credit accessibility, this research provides a comprehensive analysis of the implementation process of a provincial interest-subsidy policy and explores how annual changes in credit ceilings influence program effectiveness and beneficiary participation. Furthermore, the study offers empirical evidence from Sidoarjo Regency, a region with relatively low Prokesra loan realization despite its strong MSME sector, thereby contributing a contextual understanding of local policy implementation that has received limited attention in previous literature.

METHODS

This study uses a qualitative method with a descriptive approach, which aims to describe in depth the implementation of the Prosperous Credit Program in Sidoarjo Regency. This approach is used to provide a factual description of the conditions of the subject or object of the study. Qualitative methods are approaches that aim to understand social phenomena, behavior, or complex situations through the analysis of non-numerical data, such as interview results, observations, and documentation. This research was conducted at the East Java Provincial Cooperative and SME Office as the Prokesra management agency, as well as at the Sidoarjo Branch of BPR Jatim as the program implementation location. This study adopts David C. Korten's implementation theory (Bahri et al., 2020), which includes three main elements: alignment between the program and beneficiaries, alignment between the program and the implementing organization, and alignment between the beneficiary group and the implementing organization. Data were collected through in-depth interviews, direct observation, and

documentation, involving key informants selected using purposive sampling based on their roles in the implementation of the Prokesra Program. The data were analyzed using the interactive analysis model of Miles, Huberman, and Saldaña, which consists of four stages: data collection, data condensation, data display, and conclusion drawing and verification. The analysis process was conducted iteratively, allowing the researchers to continuously compare empirical findings with the dimensions of Korten's implementation model in order to identify patterns, relationships, and implementation challenges. To enhance the credibility and trustworthiness of the findings, source triangulation and technique triangulation were employed by comparing information obtained from government officials, BPR Jatim officers, and MSME beneficiaries, as well as cross-checking interview results with observational and documentary evidence. This analytical process enabled a comprehensive interpretation of how the Prokesra Program was implemented in practice and the extent to which its implementation aligned with the theoretical framework of policy implementation.

RESULT AND DISCUSSION

Alignment Between Programs and Beneficiaries

One of the elements that influence the success of implementation, according to Korten, is the alignment between programs and beneficiaries. David C. Korten (Bahri et al., 2020) emphasizes the importance of alignment between programs and beneficiaries, namely the compatibility between what is provided by the program and the needs of the target group. Prokesra has considered what is needed by the target group, relating to aspects such as program objectives, policies adopted, budget allocation, strategies, and the accuracy of the program in meeting the needs of beneficiaries.

Prokesra, initiated by the East Java Provincial Government in collaboration with PT. BPR Jatim, has proven to be an effective solution in addressing the capital problems of MSME actors, especially during the Covid-19 pandemic. This program has a clear objective: to provide loan interest relief through a subsidy scheme, where the interest burden borne by SMEs is only 3% per year, while the remaining 9.25% is covered by the East Java Provincial Budget (APBD). The program was designed as a response to the economic emergency faced by micro and small businesses, which previously struggled to access formal financing and often ended up relying on informal financing institutions with high interest rates. Through the interest subsidy scheme from the APBD, Prokesra is able to provide a legal, safe, and affordable financing alternative.

The implementation of the Prokesra program is carried out in a structured manner and based on clear regulations, namely Minister of Cooperatives and SMEs Regulation No. 3 of 2021 and East Java Governor Regulation No. 22 of 2022. Prokesra is a program initiated by the East

Java Provincial Government (Pemprov Jatim) with technical implementation involving the East Java Cooperative and SME Agency (Diskop UKM Jatim) and PT. BPR Jatim as the disbursing institution. Policy adjustments, particularly regarding credit limits and loan tenors, are made periodically based on annual evaluations by accountants and branch performance analyses. Decision-making processes are conducted through a reconciliation forum involving all branches of BPR Jatim, using a collaborative and data-driven approach. In this forum, evaluations are conducted on target achievements, payment smoothness levels, and challenges faced on the ground. Through this reconciliation, Prokesra policies are formulated to be more responsive to the needs of SMEs and the capabilities of implementing institutions. Budgeting for the Prokesra program is done in a planned, collaborative manner, taking into account regional financial capacity and the readiness of implementing agencies.

Budgeting for the Prokesra program is carried out in a planned and collaborative manner, taking into account the financial capacity of the region and the readiness of the implementing agencies. This program is the result of a collaboration between the East Java Provincial Government through the East Java SME Development Agency (Diskop UKM Jatim) and PT. BPR Jatim as the funding disbursement partner for SMEs. The allocation of interest subsidy funds comes from the East Java Provincial Government's Budget (APBD), which is set annually through an evaluation and audit process. This process involves an independent audit by a public accounting firm to assess the eligibility and readiness of PT. BPR Jatim to disburse loans, as well as a coordination forum between the East Java SME and Cooperative Agency and BPR Jatim to agree on the loan disbursement ceiling and subsidy requirements. The East Java SME and Cooperative Agency is responsible for planning, budgeting interest subsidies, funding auditors, and facilitating annual reconciliations. Meanwhile, BPR Jatim provides loan funds and manages credit disbursement operations at each of its branches.

PT. BPR Jatim and Diskop UKM Jatim have designed and implemented various promotional and outreach strategies to support the implementation of the Prokesra program for MSMEs in East Java, including through online and offline approaches. These strategies include the use of social media, podcasts, brochures, banners, and direct outreach activities to villages, sub-districts, traditional markets, and MSME communities. However, despite the active promotional and outreach efforts conducted by BPR Cab. Sidoarjo, the level of awareness among SME operators regarding the Prokesra program in Sidoarjo remains relatively low. Only approximately 20–30% of SME operators are aware of and understand the program, primarily due to uneven distribution, particularly in areas that are difficult to reach or have not been the

focus of outreach activities. On the other hand, SMEs in Sidoarjo state that the Prokesra program is targeted and relevant to the actual needs of SME operators. Thus, the focus on aligning the program with the utilization of Prokesra in Sidoarjo is already in line with the needs of SMEs and has been implemented effectively.

Alignment Between Programs and Implementing Organizations

Another factor that influences the success of implementation, according to David C. Korten as cited by (Bahri et al., (2020), is that it is very important to ensure that the program is in line with the capacity of the implementing organization, namely the alignment between the tasks assigned by the program and the capabilities of the organization, including the accuracy of implementation, understanding, and response of the implementers to the program.

The implementation of Prokesra in East Java has been carried out by the appropriate implementing organization, namely PT. BPR Jatim, which is a Regionally Owned Enterprise (BUMD) focused on financing the MSME segment. The selection of BPR Jatim as the implementing partner is considered highly relevant to the program's objectives, which target micro, small, and medium-sized businesses. The level of understanding among the implementing agencies of the Prokesra program, namely the East Java SME Agency and PT. BPR Jatim, regarding the Prokesra program is in the very good category. A good level of understanding includes awareness of standards, objectives, and the roles and responsibilities of each party involved in program implementation. Alignment of perceptions between the two implementing agencies is achieved through annual reconciliation activities, which serve to harmonize data, evaluate program implementation, monitor subsidy disbursement, and address various issues such as potential non-performing loans (NPLs).

In addition, the performance of duties by BPR Jatim officers at the Sidoarjo branch has been carried out well, particularly in terms of post-credit realization monitoring and customer supervision. This is demonstrated by the low level of arrears and the existence of active control and communication mechanisms between BPR officers and debtors, as shown in the real experiences of customers. The role of implementers in the Prokesra program has also contributed to the success of its implementation, where a high level of understanding of their respective tasks and responsibilities has resulted in orderly, accountable, and targeted implementation.

According to David C. Korten, the direction and response of the implementers indicate a positive attitude of acceptance and support for the program. This is evident from the statements of key informants from the East Java Provincial Cooperative and SME Agency,

who assess that the Prokesra program is a strategic step by the government in addressing the needs of MSMEs, particularly in terms of access to affordable capital post-pandemic. Positive responses were also shown by the implementing partner, PT. BPR Jatim, both at the central level and the Sidoarjo branch. They stated that the government's trust in involving BPR in the implementation of Prokesra is a responsibility that must be carried out properly.

Alignment Between Beneficiary Groups and Implementing Organizations

According to Korten, it is important to have alignment between beneficiary groups and program implementing organizations. This means that there must be consistency between the criteria set by the organization to achieve program outcomes and the capabilities of the target group.

BPR Cab. Sidoarjo demonstrates a good understanding of its duties and responsibilities, and applies banking principles in disbursing financing based on the viability of the business and the borrower's capacity. This is evidenced by the low non-performing loan (NPL) rate and the presence of post-disbursement monitoring. From the beneficiaries' perspective, the majority of SME operators state that the program aligns with their business needs, particularly due to the low-interest rate scheme and relatively straightforward process. Even for small businesses with high turnover, Prokesra is still considered a more advantageous solution compared to other financing schemes.

The program implementation process is running in accordance with established procedures, including the strict application of SOPs and verification mechanisms such as BI Checking and business feasibility and collateral surveys. This implementation demonstrates an adaptive and responsive attitude to the conditions and needs of MSME customers, enabling implementers to provide good service and minimize the risk of irregularities. The Prokesra program has been targeted appropriately at individual entrepreneurs operating micro and ultra-micro businesses. The program's focus is on businesses requiring capital support of no more than Rp50 million, aligning with the characteristics and capacity of micro businesses and some small businesses. This program is not intended for business entities such as CVs, PTs, cooperatives, or business groups, but only for individual independent business operators. The selection process, conducted through a business viability survey and collateral assessment by BPR Jatim Branch Sidoarjo, ensures that only prospective customers with existing businesses and the ability to repay installments can access this program. The requirements for applying for Prokesra are also very easy, but in Sidoarjo Regency, many MSMEs are still rejected because their credit scores are poor and they already have loans

from other banks. In addition, there are efforts to encourage developed businesses to switch to other larger financing schemes, such as KUR or revolving funds, so that Prokesra can focus on business segments that really need start-up capital or small capital.

Based on interviews with Prokesra program implementers and beneficiaries, it was stated that the Prokesra financing application and disbursement process had run smoothly and appropriately. The procedures applied were in accordance with the established mechanisms, starting from BI Checking, business surveys and collateral, to the rapid disbursement of funds, which took place around 3–4 days after all requirements were complete. This process is also supported by administrative ease, such as not requiring a notary deed but only a Power of Attorney for Encumbering Security Rights (SKMHT), thereby accelerating the disbursement of funds to borrowers. Beneficiaries noted that the subsidy disbursement mechanism regulated by the East Java Governor's Regulation and the structured reporting from BPR to the East Java SME Agency demonstrate oversight and accountability in program implementation.

Thus, it can be concluded that in Prokesra in Sidoarjo, the beneficiary group has been well integrated because there is consistency between the criteria required by the implementers. The Prokesra program in Sidoarjo is appropriately targeted because it genuinely focuses on SMEs, as evidenced by the business survey conducted by BPR Jatim Branch Sidoarjo on potential Prokesra clients, ensuring that the program benefits SMEs. Based on the above results, it can be concluded that the alignment between beneficiaries and the implementing organization has been effectively implemented. However, in Sidoarjo Regency, some SMEs still cannot meet the requirements, such as having existing loans with other banks and poor credit scores.

CONCLUSION

The alignment between the program and its beneficiaries encompasses the extent to which what is provided by Prokesra aligns with the needs of MSMEs in Sidoarjo Regency. The implementation of this program has been successfully carried out and is in line with the needs of MSMEs in Sidoarjo Regency. In terms of program alignment with implementing organizations, the selection of partners has been conducted appropriately. Implementers from BPR Jatim and Diskop UKM Jatim have understood their roles and responsibilities and are supporting the program. In terms of alignment between beneficiary groups and implementers, the selection of Prokesra clients has been successful, as they are individuals who own businesses and meet the criteria set by the banking sector..

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